

**IN THE CHANCERY COURT OF LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

IN RE: SENTINEL TRUST COMPANY)
) Case No. 4781
)

**MOTION FOR APPROVAL OF TRANSFER OF FUNDS FROM
SENTINEL TRUST RECEIVERSHIP TO POOLED FIDUCIARY ACCOUNT¹**

The Sentinel Trust Receiver ("Receiver") moves the Court to approve the transfer of \$315,486.09 from the Sentinel Trust Receivership to the Pooled Fiduciary Account. This amount represents a pro rata share of the interest accrued and/or earned on amounts taken from the Pooled Fiduciary Account and spent by previous Sentinel Trust management on the Fort Pierce, Florida default, the Hernando, Florida default and the Tarrant County, Texas default.

The Receiver seeks the approval of the Court because, by previous Orders of the Court, the interest fee amounts accrued as to the Fort Pierce, Hernando and Tarrant defaulted bond issues were determined to be fees owed to Sentinel Trust (and, thus, owed and payable to the Sentinel Trust Receivership) and, as such, would be considered Sentinel Trust assets. Pursuant to T.C.A. § 45-2-1504(a), dispositions of Sentinel Trust assets of over \$500 are to be approved by the Court.

The aggregate amount of \$315,486.09 consists of various component parts. First, included in that amount is the pro rata amount of accrued interest which (based on the figures the

¹ This Motion is presented to the Court upon the assumption that the final Orders signed by the Court on May 19, 2005, which granted the Commissioner-in-Possession's and Receiver's motions to distribute proceeds on the Fort Pierce, Florida, Hernando County, Florida and Tarrant County, Texas defaulted bonds, are not stayed upon posting of appropriate bond pursuant to Rule 62 Tenn.R.Civ.P.

Receiver has derived from Sentinel Trust's AccuTrust accounting system) would reflect the amount of interest (at the scheduled rate of 1.5% per month) that should have been paid, pre-May 18, 2004, to the Pooled Fiduciary Account based on the amount of actual funds "withdrawn" from that account. The \$315,486.09 amount also includes the amount of interest that would have been earned post- May 18, 2004 (again at the 1.5% per month rate) on the amounts taken from the Pooled Fiduciary Account.² Finally, the \$315,486.09 amount also includes the pro rata amount of actual interest earned (at a money market account rate) on the proceeds of collateral actually collected by the Receiver from the defaulted bonds for the timeframe those proceeds have been in the Receiver's possession (through May 31, 2005). Attached as **Exhibit A** is a chart setting forth the breakdown of the \$315,486.09 amount into its component parts.

The Receiver asserts that, while the accrued interest charge is a fee owed to Sentinel Trust, there are two basic reasons why a pro rata portion of that amount should be transferred to the Pooled Fiduciary Account. First, the Receiver believes, in good faith, that the amounts that are in its possession (and are expected to come into its possession) as Sentinel Trust "corporate" assets are sufficient to operate the receivership, including the pursuit of third-party litigation. It has always been the express intention of the Receiver to use any excess funds held by it to

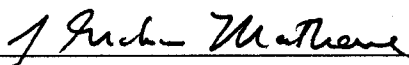
² The timeframe pertinent to this post- May 18, 2004 amount is from May 18, 2004 until the time at which the Receiver received the proceeds from the sale of the particular defaulted bond collateral.

address the Pooled Fiduciary Account shortfall. Therefore, the transfer of the \$315,486.09 amount is in a good faith effort to do what the Receiver has stated was its intent all along.³

Second, the payment of a pro rata share of the interest to the Pooled Fiduciary Account seems fair and equitable. The Pooled Fiduciary Account had funds taken from it -- amounts that went to fund the pursuit of defaulted bond recovery efforts. Repayment of those amounts without some type of interest component would not be fair, particularly in light of the current status of funds otherwise available to the Receiver.

Therefore, the Receiver moves the Court for entry of an order approving the transfer of \$315,486.09 from the Sentinel Trust Receivership to the Pooled Fiduciary Account.

Respectfully Submitted,



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*Counsel for Receivership Management, Inc.
Receiver of Sentinel Trust Company, in Liquidation*

**IT IS ANTICIPATED THAT THIS MOTION WILL BE HEARD
IN HOHENWALD, TENNESSEE ON MONDAY, JUNE 20, 2005, AT 9:00 A.M.**

³ Attached as **Exhibit B** hereto is a schedule setting forth the activity regarding the Pooled Fiduciary Account since the May 18, 2004 institution of the receivership. The balance set forth in **Exhibit B** includes the transfers relating to the Fort Pierce, Hernando and Tarrant default recoveries which have included in them the \$315,486.09 amount at issue in this Motion.

CERTIFICATE OF SERVICE

This is to certify that on June 8th, 2005 a copy of the foregoing Motion has been sent by First Class U.S. Mail, postage paid, and also by facsimile transmission as noted, to:

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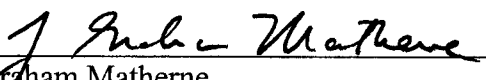

J. Graham Matherne

EXHIBIT A

**AMOUNTS OF INTEREST FEES PROPOSED TO BE
TRANSFERRED TO POOLED FIDUCIARY ACCOUNT**

| | Hernando County, Florida | Fort Pierce, Florida | Tarrant County, Texas |
|--|-------------------------------------|---------------------------------|----------------------------------|
| Pro Rata Pre- May 18, 2004 Accrued Interest Fee (1.5% per month) Based on What Should Have Been Earned on Amounts Withdrawn from Pooled Fiduciary Account | \$118,039.31 | \$40,023.69 | \$47,721.97 |
| Pro Rata Post- May 18, 2004 Accrued Interest Fee (1.5% per month) Based on What Should Have Been Earned on Amounts Withdrawn from Pooled Fiduciary Account Up to the Point When Receiver Received Collateral Proceeds | \$ 61,819.26 | \$18,727.75 | \$21,047.58 |
| Interest Earned on Overdraft Amount Since Receiver Has Had Possession of Collateral Proceeds (a money market account interest rate through 5/31/05) | \$ 5,714.26 | \$ 1,742.37 | \$ 649.90 |
| Totals | \$185,572.83 | \$60,493.81 | \$69,419.45 |

TOTAL

\$315,486.09

EXHIBIT B

SENTINEL TRUST COMPANY
SUNTRUST TRUST DEPT PRE 5-18-04 FIDUCIARY BANK ACCOUNT 4049233

| | |
|---|-------------------|
| BALANCE IN ACCOUNT 5-18-04: | \$2,472,928.03 |
| PRE 5-18-04 FUNDS USED IN JUNE 2004 DISTRIBUTION | (680,017.52) |
| POST 5-18-04 ACTIVITY: | |
| INTEREST RECEIVED | 35,849.80 |
| PRE 5-18-04 CHECKS PAID BY BANK | (128,475.09) |
| EXPENSES CHARGED BY BANK | (668.44) |
| TRANSFER FROM POST 5-18-04 BANK ACCOUNT | 1,000.00 |
| RECEIPTS FROM DEFAULTED BOND COLLATERAL (LEE COUNTY, AL) | 357,024.40 |
| ALL OTHER | 0.69 |
| CLOSE UPB TRUST ACCT 3601966645 | 41,765.12 |
| RECEIPTS FROM DEFAULTED BOND COLLATERAL (BASED ON COURT'S 5-19-05 ORDERS AND INCLUDING TRANSFER OF AMOUNTS REQUESTED IN PENDING MOTION) | |
| TARRANT COUNTY | 460,225.97 |
| HERNANDO | 630,320.12 |
| FT. PIERCE | <u>190,962.70</u> |
| | \$3,380,915.78 |